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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT TRAFFIC

Date: MAR 15 1951

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 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1. (SOVIET)

"B" EASTERN EUROPE. ALBANIA. Rumors of Bomb Incident. Rumors are circulating in Shkoder that an assassination attempt was made on members of the Hoxha Government at ceremonies in Tirana in honor of Soviet Army Day 23 February. Members of the Government for whom the bomb was destined are reported to have escaped injury due to the delayed action of the bomb. However, a large part of the building was destroyed. More than 500 persons are said to have been arrested the same day, including high army officers, government officials and technicians. It is alleged that 15 persons were shot immediately. Washington Comment: This is the first report of this incident and should be treated with reserve. The above rumor could be a distorted version of the bomb explosion at the Soviet Embassy in Tirana on 19 February. If the report is true, the announcement on 5 March of the "release from duty" of Spiro Pano, Deputy Premier, and Rita Marko, Ministry of Industry, both of whom have been "entrusted with other important duties," may be of possible interest. COMMENT: It appears likely that the rumors are a confused version of the previously reported explosion at the Soviet Embassy in Tirana. (See OOI Daily Summary, 1 Mar 51).

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"B" POLAND. Polish Industrialization to be Stepped-Up During 1951. According to statements by Minister of Foreign Trade Gede upon his return this week from Moscow, where he has been since 1 Dec 1950, there will be a considerable increase in the exchange of goods between Poland and the USSR. Under the terms of the protocol for 1951 goods deliveries between the two countries, Poland will receive iron and manganese ores, iron alloys, non-ferrous metals, synthetic rubber, cotton, petroleum products, ball bearings, machine tools, trucks, tractors, and agricultural machinery. In return the USSR will receive locomotives, freight and passenger cars, coal, coke, foundry goods, textiles, chemicals, glass, paper, sugar, and manufactured metalware. Gede stated that this protocol specifies and widens appreciably the quantities envisaged by the long-term agreement signed 26 Jan 1948, and by the protocol dated 29 June 1950, which amended the 1948 agreement upward. He further stated that in the field of capital goods deliveries, 1951 will be a year of great stepping-up of deliveries of equipment and machinery from the USSR needed for the construction of the large Nowa Huta steel factory in Krakow. (R FBIS, 14 Mar 51; U CSM, 14 Mar 51). COMMENT: These statements indicate that there will be an additional increase in efforts to establish and improve Poland's basic industries. The upward revised norms for 1951 in the Six Year Plan are an additional indication of Poland's effort for and the USSR's interest in, speeding the establishment of basic industries in Poland.

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"C" RUMANIA. Oil Minister Ousted. Gheorghe Vasilichi, a veteran Communist organizer, has been relieved of his post as Minister of Mines and Petroleum by presidential decree. The new Minister is Constantin Mateescu, an Assistant Minister of Mines and Petroleum from April 1949-August 1950, who held no official position in the interval. Vasilichi's main qualification for the position seems to have been his long experience as a Party agitator and daring Communist fighter; his apparent dismissal at this point is the latest of recent indications of dissatisfaction with production and labor discipline in the oil industry. In other Government shifts, Petre Bele was named Director General of Affairs in the Council of Ministers, a newly established post, and Emanoil Vinea named Assistant Director. (R Bucharest 642, 14 Mar 51). COMMENT: Vasilichi's career indicates that he may be a nationalist Communist. He is described as a self-taught Marxist, idealistic, intelligent, and daring, sympathetic toward the Rumanian peasant, and dissatisfied with Soviet domination of his country. He thus qualifies well for the role of scapegoat for the oil industry, which has been subjected to a drumfire of criticism by the Communist Party and press since early February, the most notable example being a decision passed by the CP Central Committee and the Cabinet on 3 Feb calling for the increase of labor discipline, and the elimination of absenteeism and mechanical breakdowns in the oilfields. If Vasilichi is in fact something of a nationalist, he must have suffered serious misgivings as Petroleum Minister, since Soviet exploitation of Rumania's oil through the Sovrompetrol Co. has been especially thorough. Little is known of the new Minister, who will probably serve as a front for Soviet control of this key segment of the economy.

"C" YUGOSLAVIA. British View of Yugoslav Economic Situation. The British Foreign Office now estimates Yugoslavia's 1951 deficit at 30,000,000 pounds which represents an approximate 25% reduction of the figure submitted by the Yugoslavs. The reduction is due to the inclusion in the original program of items of a military nature, increased raw material imports based upon expanded capacity which British representatives do not believe realistic, and other less important factors. The British estimate that the Yugoslav deficit for 1951 through 1953 will be between 70,000,000 and 90,000,000 pounds. British Economic Mission to Belgrade believes that the recent Yugoslav request for \$20,000,000 and 4,000,000 pounds from the US and UK respectively (OCI Daily Summary, 8 Mar 51) will cover at best only a period until the end of June. The British Foreign Office is confident that it will be able to extend the Yugoslav Government its 4,000,000 pounds before Easter. (S London 4848, 9 Mar 51).

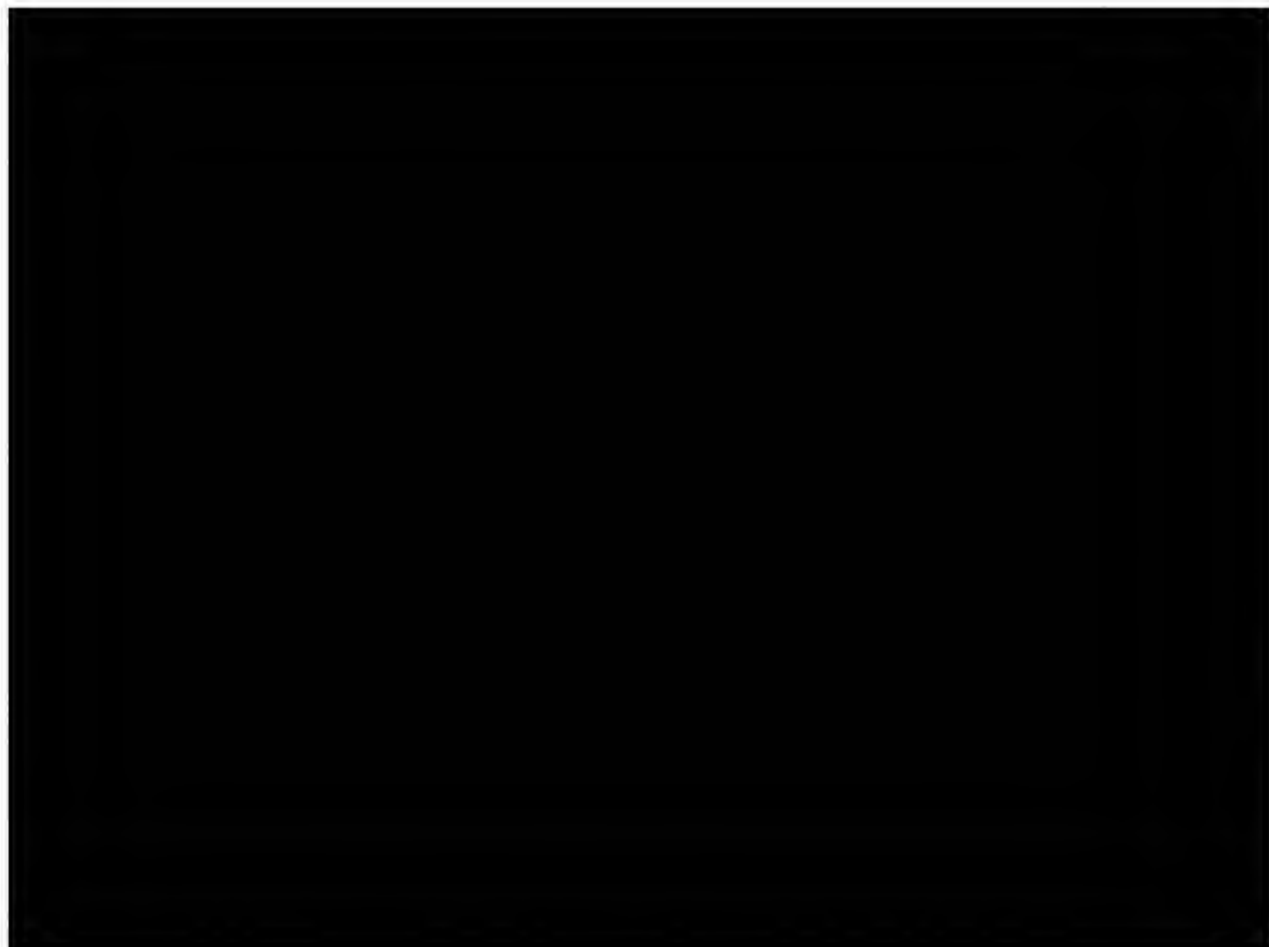
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SECTION 2 (EASTERN)

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"A" INDOCHINA. Chinese Communist Border Violations. Chinese Communist forces are reliably reported to have violated the Indochina border twice in the past week. The violations occurred on 9 March, in the course of a Chinese Communist attempt to capture a Nationalist guerrilla band which retreated across the border. During this action, the Chinese raided a French border post and took one prisoner. On 11 March, a larger Chinese Communist group forced the withdrawal of the garrison of the same post and took 23 prisoners, including one French officer. The French authorities in Indochina apparently do not plan to protest these incidents to Peiping. (C Saigon 1621, 14 Mar 51). COMMENT: Continuing border incidents of this nature are to be expected, since anti-Communist guerrillas in South China often seek sanctuary in Indochina and in Burma as well.

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"B" French Obstruct ECA Program. The conclusion of bilateral economic aid agreements between the US and Vietnam (as well as the other Associated States) has been delayed by Economic Counselor Penavaire, a member of General De Lattre's High Commissariat. After more than a month, Penavaire, an old-line "colonialist" who is generally considered to entertain a narrow conception of Vietnamese independence and a suspicious attitude toward the US role in Indochina, has submitted his comments on the bilateral text agreed upon by US and Viet representatives. Penavaire has proposed various amendments which are in almost every case identical with proposals previously advanced by the French or by the Associated States and subsequently deleted as a result of negotiation or turned down flatly by the US representatives. ECA chief Blum observes that the French, in taking this action, are within their rights as established by the 8 March agreements with Vietnam, but that this situation impinges on a "supremely important political issue": the fact that French intransigence on points under issue can only reinforce the general belief in Vietnam and Southeast Asia that, in spite of all accords and conventions, the Associated States are very far indeed from being independent of France. (S Saigon TOECA 243, 8 Mar 51). COMMENT: Hostility to Vietnamese nationalist demands and suspicion of US intentions on the part of various officials who belong to the old French "colonial bureaucracy" has frequently been reported in the past. However, the fact that General De Lattre, himself, has recently expressed his suspicions of ECA to top US officials in Saigon suggests that Penavaire's stand does not result merely from one isolated official's own narrow views.

"B" THAILAND. Correction. On the basis of Phibun's public denial and personal assurances to US officials, Embassy Bangkok has corrected its earlier report that the Prime Minister voted against the appointment of the new Regent. (C Bangkok 1395, 14 Mar 51).

"A" MALAYA. "Progress" Claimed in Terrorist Suppression. Malcolm MacDonald, UK Commissioner for Southeast Asia, has left London following talks with the Colonial Office in which he indicated that progress is being made in Malaya for the first time since the Emergency began and expressed his belief that the resettlement program would be completed by 1 May in Johore, and by 1 July in Negri Sembilan, thereby permitting the release of some UK armed forces for service elsewhere by that date. (S London 4931, 14 Mar 51). COMMENT: There is little evidence in the current Malayan terrorist situation to justify MacDonald's present optimism. Terrorist activity in Johore, where the UK's greatest effort has been concentrated, is now higher than any other state in the Federation.

"A" INDONESIA. Opening of Chinese Communist Consulates Approved. The Indonesian Foreign Ministry has agreed to the establishment of four Chinese Communist consulates (at Djakarta in Java, Makassar in Celebes, Medan in Sumatra, and Bandjarmasin in Borneo). The consulates reportedly will be opened in April. (U FBIS [REDACTED] 14 Mar 51). COMMENT: It can be anticipated that these consulates, located in four separate Indonesian islands, will lend further direction and encouragement to Chinese Communist activity in the archipelago. The Indonesian Government has previously refused a Chinese Communist request to open nine consulates.

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"B" AUSTRALIA. Parliament to be Dissolved. Prime Minister Robert Menzies, leader of Australia's Liberal-Country coalition Government, has requested the Governor General to dissolve both houses of Parliament, thereby setting in motion the machinery for a general election. (AP Canberra, 14 Mar 51). COMMENT: The coalition Government has apparently decided that only a new election will resolve the political stalemate caused by Labor's current blocking tactics in the Senate, where the "outs" maintain control. Another factor in the dissolution is probably the Government's hope that popular dissatisfaction with the High Court's recent invalidation of anti-Communist legislation will serve to increase the coalition's Parliamentary majority. One report states the general election will probably be held on 5 May 1951.

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"A" CHINA. Soviet Tanker Ships Gasoline to Tsingtao. [REDACTED] a Soviet tanker, the SO-FU-NIEH-FU-CH'1, arrived in Tsingtao in mid-January from the Soviet Far East with a load of gasoline. [REDACTED] COMMENT: This is the first reported tanker shipment direct from the Soviet Far East to a port in China proper, although such shipments have been anticipated. The vessel's reported name is probably the Chinese transliteration of the SOVETSKAYA NEFT, a Soviet tanker with a cargo capacity of some 10,000 tons which has been operating in Far Eastern waters.

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"B" JAPAN. Dynamite Confiscated from Korean Red. Police confiscated 160 sticks of dynamite and 98 percussion caps from the home of a 21-year-old Korean Red. (R FBIS, 14 Mar 51). COMMENT: There have been unconfirmed reports that the Japanese Communists are showing an increased interest in the purchase of weapons. Although small quantities of dynamite (a common item for black market sale) and a few pistols have been found in Communist homes, there is still no evidence that a successful widescale Communist effort to cache arms and ammunition is underway.

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SECTION 3 (WESTERN)

"C" FRANCE. MDAP Delays May Hamper French Defense Program. French Defense Minister Moch has stated that it would be "difficult" to activate the 17 divisional "slices" (total number of men available divided by the number of divisions) planned for 1952, if MDAP equipment tentatively provided under the 1952 fiscal-year program is delayed until 1953. He has requested indications of delivery schedules, since MDAP equipment programmed for 1950 and 1951 is running about a year behind schedule. (S Paris 5301, 10 Mar 51). COMMENT: This is the first indication of serious French concern that the 1952 program may not be fulfilled on schedule. The situation may possibly be alleviated, however, by assigning to France Canadian equipment which is now available for another European division. French equipment shortages in Europe may have influenced Inspector General Juin to favor sending to Indochina -- where ample equipment is available -- troop reinforcements which are desperately needed in France.

"C" AUSTRIA. Communist Strength in Police Force Revealed. Prompted by the Communist showing in recent police union elections, an investigation by US and British officials of Communist strength in the Austrian police force has revealed that the problem is larger than Austrian officials have generally indicated. The Interior Minister's policy of gradually weeding out Communists (originally appointed under Austria's provisional government in 1945) has been much less effective than responsible police officials have suggested. (C Vienna 1999, 13 Mar 51). COMMENT: According to an unofficial press report, the Communist vote in the Vienna police union elections was 50% of the administration police, 33% of the secret police, and 20% of the regular police. The unexpected strength of the Communist vote can only be due in part to discontent with economic conditions and the Government parties. Although the investigation may prove salutary, Austrian steps to remove or block Communist influence in the police, will continue to be hampered by civil service laws and the fear of Soviet retaliation.

"A" ITALY. Italian Communists Acting to Recover Lost Ground. [REDACTED] 25X1C
25X1C [REDACTED] Togliatti has given the Communist Party (PCI) Central Committee a general outline of the party's future activities. Togliatti wants to unite elements capable of embarrassing the Italian Government and pro-Atlantic Pact groups. He plans to exploit existing dissension within De Gasperi's Christian Democratic Party, to refrain from anti-clerical activities, and to appeal to reformist "leftist" Catholics in the labor field. With regard to defections, Togliatti

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25X1A opposes purging on a large scale, preferring that it be done "silently" through the revolutionary vigilance Committees. Dissident Communist groups will be penetrated by loyal Communists. (See OCI Daily 13 Mar 51) Meanwhile, a New York Times report from Bologna states that, as of 26 February, Communist efforts to stop local defections had been successful, because many Communists who would like to leave the party have been held back by fear of physical reprisals or loss of jobs, and others fear that large-scale defection would create confusion among Communist workers. [REDACTED] U New York Times, 14 Mar 51).

COMMENT: Although Togliatti may feel that he can make use of elements within the increasingly divided Christian Democratic Party who believe that Italy could serve as a bridge between East and West or who criticize the Government's failure to achieve socio-economic reform, he will not be successful. Neutralism within the party is changing to a pro-Atlantic Pact stand. Important defections from the PCI will depend mainly on whether potential defectors can find a group which they feel will represent the worker's interests.

"C" UNITED KINGDOM. Foreign Office favors Western Germany's full Membership in Council of Europe. The Foreign Office now feels that the Council of Europe's Committee of Ministers ought to discuss the application of the German Federal Republic for full membership at its 16 March meeting. The Foreign Office also wants favorable action on the application, but will not press for a vote in case of French objections or the injection of the Saar issue. (S London 4932, 14 Mar 51). COMMENT: These views reflect the two main objectives of Britain's German policy: to reorient Western Germany fully toward the West but to remain in step with France on this issue.

"C" New Charge in Peiping Coldly Received. The new UK Charge in Peiping, Leo H. Lamb, has described his initial interview with a Chinese Vice Minister of Foreign Affairs as courteous but cold. He, like his predecessor, is still treated strictly as a representative to arrange for diplomatic relations; the Chinese brushed aside all his efforts to mention specific problems. (S London 4908, 13 Mar 51). COMMENT: The UK decision to present a stiffer attitude toward Peiping by pressing for satisfaction of British grievances (See OCI Daily, 8 Mar 51) has thus been frustrated in its initial effort.

"C" SWEDEN. Radar Import Difficulties Admitted. Defense Minister Vought has publicly announced that the US has refused export licenses for radar shipments to Sweden. The Conservative and Liberal opposition press blames the Social Democratic Government's "isolationist" policy for the situation, but hope is expressed that the US will, in view of the UK's more liberal policy, reconsider its position. (R Stockholm 1085, 14 Mar 51).

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COMMENT: This is the first time a Government official has publicly revealed in an address that Sweden's foreign policy of no alliances has a distinct disadvantage for Sweden's defense plans. While many Swedes will be disturbed, they will persist in believing that Western strategic interests require that Sweden's defense be maintained and strengthened, irrespective of non-adherence to NATO. No change in foreign policy is to be anticipated, and the Government's action undoubtedly is designed to make the public aware of the need for a concerted national effort to keep Sweden strong and to unite the country and political parties behind the Government.

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DAILY DIGEST SUPPLEMENT

MAR 15 1951

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OFFICE OF CURRENT INTELLIGENCE
DAILY SUMMARY OF SIGNIFICANT S/S CABLE TRAFFIC

15 March 1951

DEPUTY FOREIGN MINISTERS' CONFERENCE

"A" US Delegation Seeks Instructions on Soviet German Demilitarization Item. The US delegation has acceded to a UK request for tripartite agreement 15 Mar. on how to handle the Soviet proposal that an item on German demilitarization be included in the agenda for a Foreign Ministers' Conference. Urgently requesting a decision on an acceptable formula for countering this Soviet proposal, the US delegation suggests as a tripartite agenda item the "problem of German rearmament", with an outright Western admission that this is the issue in the dispute over the Soviet proposal. The US delegation believes that it will have difficulty in trying to handle the Soviet "demilitarization" item until the US is prepared to discuss in the present meeting the substance of the US position on Germany's military contribution to Western defense and on the status of the Potsdam Agreement. (S S/S Paris 5377, 14 Mar 51).

SECTION 1 (SOVIET)

"B" EASTERN EUROPE. Netherlands to Reduce Soviet Orbit Diplomatic Missions. According to the Netherlands Minister to Budapest and Bucharest, at a recent conference of Dutch Iron Curtain Ministers it was decided to gradually reduce the staffs of the missions in the Soviet orbit, eventually heading them by Charge d'Affaires. The Netherlands Minister to Poland will not return and the Netherlands Minister to Prague will leave his post shortly. The consensus of the conference was that an offensive war in the Balkans is improbable this year. The Netherlands Minister to Hungary stated that he had seen no signs of offensive Russian equipment in Hungary. (S S/S The Hague 1260, 8 Mar 51).

SECTION 2 (EASTERN)

"B" INDIA. Prime Minister Nehru Takes a Personal Interest in Moroccan Situation. On 12 March, [REDACTED]

[REDACTED] read to US Ambassador Henderson portions of a private message sent by Prime Minister Nehru to the

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French Government, in which the Indian leader expressed the hope that France would take appropriate steps to ensure the eventual independence of Morocco. [REDACTED] stated that the Syrian Minister and the Indian Charge in Baghdad, Iraq, had suggested the move and that the governments of the Arab countries had been confidentially informed of Nehru's action. According to Ambassador Henderson, Nehru wrote in most friendly terms although he displayed sympathy for the Moroccans and other North African nationals. The Ambassador believes that Nehru's new interest in North Africa has been stimulated by a desire to strengthen his influence in Arab countries of the Middle East. (C S/S New Delhi 2427, 13 Mar 51). COMMENT: Prime Minister Nehru once again appears in his familiar role as champion of oppressed and colonial peoples. It is doubtful that his message will have much effect on the French in view of (1) French sensitivity to external interference, (2) the antagonism raised by Nehru's earlier outspoken criticisms of colonialism in Indochina, and (3) Nehru's behavior when he visited Paris after the close of the Commonwealth Prime Ministers' Conference in London in January. On the other hand, the message may improve India's position in the eyes of those Arab nations which opposed Indian recognition of the state of Israel last September.

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SECTION 3 (WESTERN)

"B" BELGIUM. Belgians Unsympathetic toward Proposed Schuman Plan Organization. In a conversation with US Embassy officials, Belgian Foreign Minister Van Zeeland stated that he felt the Paris coal-steel pool negotiations were developing a too complex organization, beyond the original objective, and that the implications of a controlled economy in the proposed structure almost defeat its purpose. His remarks also reflect a lack of sympathy with Articles 60 and 61 (on prohibited and regulated industrial combinations). (S S/S Brussels 1481, 13 Mar 51). COMMENT: This is the first official indication from any of the participating powers that the proposed organization is too complex. Belgian acceptance of the Schuman Plan principle has not been enthusiastic.

"B" ITALY. Public Feeling Over Trieste Remains High as Italo-UK Conversations Draw to a Close. The concern of Italians over the Trieste issue continues to mount as the Prime Ministers and Foreign Ministers of Italy and the UK confer in London. Public opinion of all shades except the extreme left has emphasized the utter inacceptability of any solution of this thorny problem other than the return to Italy of the entire Free Territory. Although the UK has reaffirmed its support of the tripartite declaration of March 1948, advocating the

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the return of Trieste to Italy, the present Soviet attempt to include Trieste on the agenda for a Big Four conference has aroused Italian apprehension that the Western powers might use this issue as a pawn to obtain Soviet concessions on German rearmament. (R S/S State - Rome 4768, 13 Mar 51; U Rome 3996, 12 Mar 51; R FBID, [REDACTED] 13 Mar 51; U New York Times, 14 Mar 51). COMMENT: The UK affirmation of adherence to the tripartite declaration will go far toward mollifying Italian nationalist ferment over Trieste and strengthening De Gasperi's position at home. The Italians, who have also feared a Western power deal with Tito over Trieste at their expense, derive a certain feeling of security psychologically from the retention of the small Anglo-American forces in Zone A of the Free Territory.

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